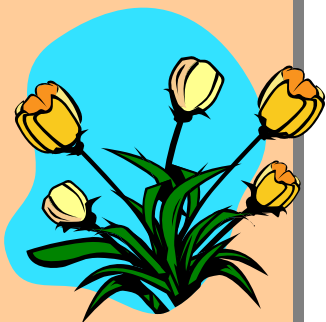


April 2005



# North Dakota REV-E-NEWS

**From Pam Sharp, Director  
Office of Management and Budget  
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*Economy.com*, the economic forecasting firm used by the state, has recently completed an analysis of the North Dakota economy, as published in its February 2005 U.S. State Précis publication.

*Economy.com* states “North Dakota continues to register robust economic growth.” The farm sector of the economy continues to account for a large share of the state’s economic activity, but other business sectors are showing strong growth. Business spending has grown as professional and business service firms added nearly 2,000 workers during the first half of 2004.

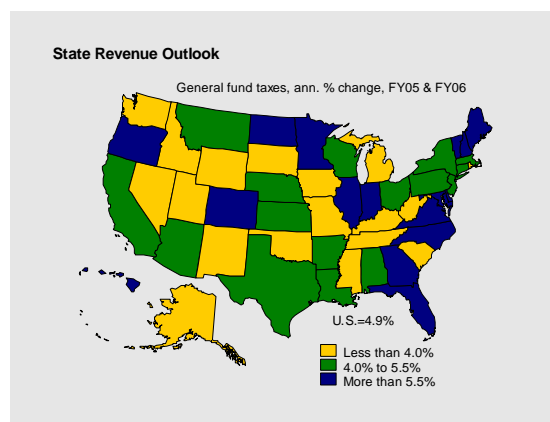
The report confirms what we have seen reflected in the state’s general fund revenues: “ND’s fiscal situation is still solid... with strong gains in personal income and retail sales tax collections.” In addition, “high oil prices are boosting production and bringing new drilling rigs on line in the state’s western oil patch.”

*Economy.com* states  
“North Dakota continues to register robust economic growth.”

*Economy.com* predicts the state’s farm sector will decline slightly from the highs of the past two years as global production responds to the elevated prices for wheat and soybeans, pushing prices down for two of the state’s major commodities.

Regarding the state’s labor market, *Economy.com* reports that during a period of contraction in the rest of the Midwest, manufacturing employment in North Dakota grew by nearly 5 percent over the past year.

*Economy.com* reports that state economies around the country are exhibiting the same strength we see in the North Dakota economy. State tax revenues around the country are generally healthy and are expected to continue to grow throughout the next two years. On average, state’s can expect to see fiscal year 2006 growth of 4.9 percent. However, North Dakota is one of the few state’s that can expect to see state general fund revenue growth of over 5.5 percent for fiscal year 2006, as shown on the chart below:



## Oil Activity

February oil production increased from January to just over 92,000 barrels per day. Drilling permit activity decreased from 17 permits issued in January to 7 in February. The average price for North Dakota crude continues

to increase. February prices averaged \$42, up slightly from January’s average of \$41 per barrel. Prices are currently over \$48 per barrel. The current rig count is 22, up 8 rigs from one year ago.

**STATEMENT OF GENERAL FUND REVENUES AND FORECASTS**  
**Compared to the Legislative Forecast**  
**2003-05 BIENNIUM**  
**March 2005**

REVENUES AND TRANSFERS	FISCAL MONTH				BIENNIUM TO DATE			
	March 2003 Leg. Forecast	Actual	Variance	Percent	March 2003 Leg. Forecast	Actual	Variance	Percent
Sales Tax	19,874,000	25,293,434	5,419,434	27.3%	585,190,000	624,611,847	39,421,847	6.7%
Motor Vehicle Excise Tax	5,741,000	5,232,697	(508,303)	-8.9%	111,034,000	111,049,908	15,908	0.0%
Individual Income Tax	4,461,000	6,273,728	1,812,728	40.6%	354,237,000	361,917,384	7,680,384	2.2%
Corporate Income Tax	6,800,000	7,319,151	519,151	7.6%	67,698,000	71,598,132	3,900,132	5.8%
Insurance Premium Tax	9,400,000	8,535,716	(864,284)	-9.2%	49,312,000	50,000,048	688,048	1.4%
Financial Institutions Tax	62,000	661,310	599,310	966.6%	2,823,000	3,006,886	183,886	6.5%
Oil & Gas Production Tax*	1,581,000	-	(1,581,000)	-100.0%	37,853,000	45,534,044	7,681,044	20.3%
Gaming Tax	200,000	37,491	(162,509)	-81.3%	20,578,000	18,109,864	(2,468,136)	-12.0%
Lottery	-	-	-	-	280,000	1,432,434	1,152,434	411.6%
Interest Income	446,000	275,057	(170,943)	-38.3%	9,666,000	4,166,944	(5,499,056)	-56.9%
Oil Extraction Tax*	1,067,000	-	(1,067,000)	-100.0%	25,617,000	25,465,956	(151,044)	-0.6%
Cigarette & Tobacco Tax	1,321,000	1,324,345	3,345	0.3%	32,318,000	34,697,988	2,379,988	7.4%
Departmental Collections	2,712,500	1,473,908	(1,238,592)	-45.7%	48,991,609	55,649,191	6,657,582	13.6%
Wholesale Liquor Tax	420,000	375,062	(44,938)	-10.7%	10,132,000	10,337,307	205,307	2.0%
Coal Conversion Tax	2,110,000	1,924,888	(185,112)	-8.8%	41,119,000	41,133,302	14,302	0.0%
Mineral Leasing Fees	(150,000)	44,077	194,077	-129.4%	3,765,000	7,133,191	3,368,191	89.5%
Bank of North Dakota-Transfer					30,000,000	30,000,000		0.0%
State Mill & Elevator-Transfer								
Gas Tax Admin-Transfer	-	-			1,221,675	1,221,675		0.0%
Other Transfers	-	2,677	2,677	100.0%	80,580,004	80,910,310	330,306	0.4%
<b>Total</b>	<b>56,045,500</b>	<b>58,773,541</b>	<b>2,728,041</b>	<b>4.9%</b>	<b>1,512,415,288</b>	<b>1,577,976,411</b>	<b>65,561,123</b>	<b>4.3%</b>
Federal Fiscal Relief Payments						50,000,000	50,000,000	100.0%
Federal Fiscal Relief -Medicaid FMAP						6,456,581	6,456,581	100.0%
<b>Total Revenues and Transfers</b>	<b>56,045,500</b>	<b>58,773,541</b>	<b>2,728,041</b>	<b>4.9%</b>	<b>1,512,415,288</b>	<b>1,634,432,992</b>	<b>122,017,704</b>	<b>8.1%</b>

\* Oil and gas production and oil extraction tax collections totaled \$8.7 million in March. Because the \$71.0 million statutory cap for the 2003-05 biennium has been attained, all March collections will be reserved for transfer to the permanent oil tax trust fund. A total of \$23.6 million is now reserved for transfer to the permanent oil tax trust fund at the end of the 2003-05 biennium and is not reflected in general fund oil tax collections.

**COMPARISON TO PREVIOUS BIENNIUM REVENUES**  
**2003-05 BIENNIUM**  
**March 2005**

REVENUES AND TRANSFERS	FISCAL MONTH				BIENNIUM TO DATE			
	March 2003	March 2005	Variance	Percent	2001-03	2003-05	Variance	Percent
Sales Tax	22,457,090	25,293,434	2,836,344	12.6%	559,971,838	624,611,847	64,640,009	11.5%
Motor Vehicle Excise Tax	4,413,996	5,232,697	818,701	18.5%	103,799,574	111,049,908	7,250,334	7.0%
Individual Income Tax	1,191,476	6,273,728	5,082,252	426.6%	324,591,904	361,917,384	37,325,481	11.5%
Corporate Income Tax	9,806,181	7,319,151	(2,487,031)	-25.4%	67,814,747	71,598,132	3,783,385	5.6%
Insurance Premium Tax	4,930,422	8,535,716	3,605,294	73.1%	42,457,054	50,000,048	7,542,994	17.8%
Financial Institutions Tax	931,481	661,310	(270,171)	-29.0%	4,074,828	3,006,886	(1,067,942)	-26.2%
Oil & Gas Production Tax	3,341,411	-	(3,341,411)	-100.0%	38,583,668	45,534,044	6,950,376	18.0%
Gaming Tax	328,272	37,491	(290,781)	-88.6%	23,894,993	18,109,864	(5,785,129)	-24.2%
Lottery	-	-	-		-	1,432,434	1,432,434	100.0%
Interest Income	53,467	275,057	221,590	414.4%	6,609,243	4,166,944	(2,442,299)	-37.0%
Oil Extraction Tax	1,728,788	-	(1,728,788)	-100.0%	20,780,438	25,465,956	4,685,518	22.5%
Cigarette & Tobacco Tax	1,705,654	1,324,345	(381,309)	-22.4%	34,903,845	34,697,988	(205,857)	-0.6%
Departmental Collections	2,390,577	1,473,908	(916,669)	-38.3%	53,255,601	55,649,191	2,393,590	4.5%
Wholesale Liquor Tax	368,980	375,062	6,082	1.6%	9,721,311	10,337,307	615,996	6.3%
Coal Conversion Tax	1,551,951	1,924,888	372,937	24.0%	40,851,758	41,133,302	281,544	0.7%
Mineral Leasing Fees	108,054	44,077	(63,977)	-59.2%	5,695,562	7,133,191	1,437,629	25.2%
Bank of North Dakota-Transfer	-	-	-		45,000,000	30,000,000	(15,000,000)	-33.3%
State Mill & Elevator-Transfer	-	-	-		-	-	-	
Gas Tax Admin-Transfer	-	-	-		1,192,968	1,221,675	28,707	2.4%
Other Transfers	5	2,677	2,672	100.0%	18,818,384	80,910,310	62,091,926	330.0%
<b>Total</b>	<b>55,307,805</b>	<b>58,773,541</b>	<b>3,465,735</b>	<b>6.3%</b>	<b>1,402,017,715</b>	<b>1,577,976,411</b>	<b>175,958,696</b>	<b>12.6%</b>
Federal Fiscal Relief Payments						50,000,000	50,000,000	100.0%
Federal Fiscal Relief - Medicaid FMAP						6,456,581	6,456,581	100.0%
<b>Total Revenues and Transfers</b>	<b>55,307,805</b>	<b>58,773,541</b>	<b>3,465,735</b>	<b>6.3%</b>	<b>1,402,017,715</b>	<b>1,634,432,992</b>	<b>232,415,277</b>	<b>16.6%</b>

\* Oil and gas production and oil extraction tax collections totaled \$8.7 million in March. Because the \$71.0 million statutory cap for the 2003-05 biennium has been attained, all March collections will be reserved for transfer to the permanent oil tax trust fund. A total of \$23.6 million is now reserved for transfer to the permanent oil tax trust fund at the end of the 2003-05 biennium and is not reflected in general fund oil tax collections

# Revenue Variances

Overall, March revenue collections exceeded the original legislative forecast by \$2.7 million, or 4.9 percent.

Sales and use taxes continue to exceed expectations. March collections exceeded the monthly forecast by \$5.4 million, primarily as a result of timing issues, which will also affect April collections. Biennium to date collections exceed the forecast by \$39.4 million, or 6.7 percent.

Individual income taxes exceeded the original forecast by \$1.8 million. This is attributed to the timing of tax collections. Biennium to date collections exceed the forecast by \$7.7 million.



Oil and gas taxes totaled \$8.7 million for March, \$6.1 million more than the amount included in the original legislative

forecast. However, pursuant to NDCC Section 57-51.1-07.2, all oil and gas taxes collected in excess of \$71.0 million must be transferred to the permanent oil tax trust fund at the end of the biennium. The \$71.0 million threshold was reached in December. Consequently, the entire amount collected in March has been reserved for transfer to the permanent oil tax trust fund. Through March 2005, \$23.6 million has been reserved for transfer to the permanent oil tax trust fund and is available for purposes approved by the Legislative Assembly.

## Comments or Questions???

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